

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

<b>IN THE MATTER OF:</b>  <b>RONALD DEAN UDY (CRD# 1981077)</b>  <b>Respondent.</b>	<b>ORDER TO SHOW CAUSE</b>  Docket No. <u>SD-12-0055</u>
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It appears to the Director of the Utah Division of Securities (Director) that Ronald Dean Udy (Respondent) has engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, *et seq.* (the Act). Those acts and practices are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

**STATEMENT OF JURISDICTION**

1. Jurisdiction over Respondent and the subject matter is appropriate because the Division alleges that he violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

## **STATEMENT OF FACTS**

### **THE RESPONDENT**

2. Ronald Dean Udy (Udy) was, at all relevant times, a resident of the state of Utah. In 1994, Udy successfully completed the Series 6 and Series 63 exams. Udy was licensed with the state of Utah as a broker-dealer agent from 1994 until 2003, at which time the Division barred him from employment with a licensed broker-dealer or investment adviser in this state. As a result, Udy has not been associated with a firm and/or licensed in the securities industry since October 9, 2003.

### **GENERAL ALLEGATIONS**

3. From December 2009 to March 2010, Respondent offered and sold securities to investors, in or from Utah, and collected a total of at least \$86,000.
4. Respondent made material misstatements and omissions in connection with the offer and sale of securities to the investors identified below.
5. Investors lost \$86,000 in principal alone.

### **INVESTORS V.W. AND J.W. (HUSBAND AND WIFE)**

#### **FIRST INVESTMENT**

6. Udy initially met V.W. and J.W. over twenty years ago, when he sold life insurance policies to the couple.
7. Since that time, V.W. and J.W. have stayed in contact with Udy, as they receive an annual call or card from him.

8. In November 2009, Udy called V.W. stating that he had an investment opportunity that could provide a really good return. The investment would be in Udy's company, Strategic Assets, LLC.<sup>1</sup>
9. V.W. responded by stating that he and his wife had not yet sold their grain crop and, as a result, would not be interested in the investment.
10. Udy then suggested that V.W. and J.W. borrow against the cash value of the life insurance policies that he previously sold to them.
11. V.W. stated that he was not interested in pursuing that option.
12. Udy later contacted V.W. in December 2009 to see if V.W. and J.W. had sold their grain crop and would now be interested in the investment opportunity.
13. During that conversation, Udy made the following statements:
  - a. The investment would provide a 25% return in three months; and
  - b. If V.W. and J.W. invested, they would receive their principal and return by March 22, 2010.
14. V.W. inquired what type of investment could pay such a high return and asked if it was safe.
15. Udy explained the investment as follows:
  - a. Udy had been working with two different construction companies for several years. These construction companies built roads for different states.

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<sup>1</sup> Strategic Assets, LLC was an entity that originally registered with the Utah Division of Corporations on February 28, 2001. As of June 6, 2011, the entity's status with the Division of Corporations is listed as expired for a failure to file renewal. During its existence, Udy served as manager and registered agent for the limited liability company.

- b. One of the companies was building a road for Utah and the other for Colorado.
  - c. Each state would pay the respective construction company within sixty days of the road's completion and inspection.
  - d. In advance of this payment, Udy would buy the contracts from the construction companies so that the individual states could pay him directly.
  - e. Pursuant to this arrangement, the construction companies could start their next job without obtaining a short-term loan from a bank.
  - f. Udy claimed that the construction companies contemplated the cost of selling their contracts when making their bids. For that reason, they were able to pay Udy well.
  - g. Furthermore, he had been doing this for years with both companies and had not encountered any problems.
  - h. Udy then stated that the investment was very safe because the money was coming from the states of Utah and Colorado.
  - i. Udy claimed that he typically used his own money for the deals, but because he was working with both companies at the same time, he would need other investors to help provide the funds necessary to pay the construction companies.
16. In response to these statements, V.W. stated that if he invested, V.W. and J.W. would need their money back no later than mid-April 2010, as they would need to purchase supplies for their upcoming growing season.
17. Udy assured V.W. that the investment was safe and reiterated that he had been involved in

this business for years with no problems.

18. Additionally, Udy would return the investment by March 22, 2010.
19. Based on these statements, and the fact that Udy had been a Stake President and Regional Representative in V.W. and J.W.'s church, leading them to believe that he was trustworthy, V.W. and J.W. decided to invest with Udy.
20. On December 24, 2009, V.W. and J.W. wired \$20,000 from their US Bank account in Malad, Idaho to Udy's account at Beehive Credit Union in Utah.
21. Once the funds were wired, Udy mailed V.W. and J.W. a one page document entitled *Extension Agreement*, which identified V.W. as lender and Strategic Assets, LLC as borrower.
22. The document stated the V.W. would receive a \$25,000 lump sum payment on March 22, 2010 in return for his \$20,000 investment. Udy signed the agreement as manager for Strategic Assets, LLC.

#### ADDITIONAL INVESTMENTS

23. Following the investment, Udy contacted V.W. on several occasions asking if V.W. and J.W. could contribute any additional funds.
24. V.W. and J.W. wired funds to Udy five more times following their initial investment.
25. Each time, Udy directed V.W. to add the amount to the existing loan, along with how much Udy would pay as a return on the investment, which was prorated to the March 22, 2010 deadline.

26. However, with respect to the final investment of \$17,000, made on March 2, 2010 and described in greater detail below (*see Paragraph 27(e)*), Udy agreed to pay a higher return because the principal amount of that investment covered the balance owed to the construction companies.
27. The five additional investments occurred as follows:
- a. On January 5, 2010, V.W. and J.W. wired \$8,000 from the US Bank account in Malad, Idaho to Udy's account at America First Credit Union in Utah. In exchange, V.W. and J.W. expected to receive interest in the amount of \$2,000;
  - b. On January 12, 2010, V.W. and J.W. wired \$15,000 from their US Bank account in Malad, Idaho to Udy's account at Beehive Credit Union in Utah. In exchange, V.W. and J.W. expected to receive interest in the amount of \$3,000;
  - c. On February 2, 2010, V.W. and J.W. wired \$20,000 from their US Bank account in Malad, Idaho to Udy's account at Beehive Credit Union in Utah. In exchange, V.W. and J.W. expected to receive interest in the amount of \$3,000;
  - d. On February 17, 2010, V.W. and J.W. wired \$6,000 from their US Bank account in Malad, Idaho to Udy's account at Beehive Credit Union in Utah. In exchange, V.W. and J.W. expected to receive interest in the amount of \$1,000; and
  - e. On March 2, 2010, V.W. and J.W. completed a bank transfer of \$17,000 from their US Bank account in Malad, Idaho to Udy's account. In exchange, V.W. and J.W. expected to receive interest in the amount of \$5,000.

28. Several days before the March 22, 2010 repayment deadline, V.W. called Udy to see when Udy would be sending the money.
29. Udy stated that Utah had inspected the road and there were some minor repairs that had to be made before a check could be sent.
30. Udy stated that it would probably be about three weeks before the construction company could finish the repairs but that he would pay the high rate of return on the money owed until V.W.'s investment was paid off.
31. After three weeks, Udy claimed that the repairs to the road in Utah had not been completed but that he would be getting a check from the contract he held with the state of Colorado.
32. The next time V.W. spoke with Udy, Udy claimed that he had been in communication with Colorado, and they said they would send the check by the end of the week.
33. The next week, Udy said the check had come but it was unsigned. Udy claimed that Colorado requested the check be returned before they could issue another check.
34. Udy later stated that Colorado told him they would have to wait until they printed checks again before they could send a new one with a signature, despite his having returned the prior check. According to Udy, the state of Colorado printed checks once every two weeks.
35. Udy then told V.W. that he had a meeting with foreign banks in Nevada regarding a multi-million dollar loan that he was working on for a "Western Art" deal.
36. Udy said that if he had not received the check from Colorado by the time that deal wrapped up, Udy would pay V.W. and J.W. from the "Western Art" loan.

37. Several days later, Udy stated that he still had not received the check from Colorado and wondered if it had been delayed as a result of it being lost in the mail or as a result of the poor economy.
38. Udy then said that he was going back to Nevada the next day to finish the final paperwork on the “Western Art” loan.
39. V.W. spoke with Udy again a few days later, and Udy stated that he had not received the check from Colorado, but he had just talked with them and was told that it would be sent out the next day.
40. V.W. asked Udy if he had finished the “Western Art” deal, and Udy replied that they had been unable to finalize that loan as a result of one of the participants having a family emergency abroad. Apparently the meeting was rescheduled for the following week.
41. On July 28, 2010, Udy claimed the loan was complete and the money would take approximately six to eight days to transfer from the foreign banks and be deposited in his account. The funds would then need to sit in his account for two days before Udy could make any transfers.
42. Udy claimed that he would wire the money to V.W. and J.W. on August 10, 2010.
43. On August 9, 2010, V.W. called Udy to make sure the transfer was ready to go, but V.W. could not complete the call to Udy’s number, as it was no longer in service.
44. V.W. has not been able to contact Udy since their conversation on July 28, 2010.
45. V.W. and J.W. received no payments from Udy.

46. Udy still owes V.W. and J.W. \$86,000 in principal alone.

### CAUSE OF ACTION

#### Securities Fraud under § 61-1-1 of the Act

47. The Division incorporates and re-alleges paragraphs 1 through 46.

48. The investment opportunities offered and sold by Respondent are securities under § 61-1-13 of the Act.

49. In connection with the offer and sale of securities to investors V.W. and J.W., Respondent, directly or indirectly, made false statements, including, but not limited to, the following:

a. The investment was very safe, when in fact, Respondent had no reasonable basis for making such a statement.

50. In connection with the offer and sale of a security to investors V.W. and J.W., Respondent, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. On December 1, 2009, Respondent had a \$62,035.11 judgment rendered against him;<sup>2</sup>

b. On May 19, 2009, Respondent had two judgments, totaling \$217,750, rendered against him;<sup>3</sup>

c. On April 27, 2009, Respondent had a \$6,077.36 judgment rendered against him;<sup>4</sup>

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<sup>2</sup> *TBE Investments LLC v. John and Jane Does 1-50*, Case No. 090100094, First Judicial District of Utah (2009).

<sup>3</sup> *Connie Oman v. Strategic Assets, LLC*, Case No. 080100939, First Judicial District of Utah (2008).

<sup>4</sup> *Susan Isaac Andersen v. R. Dean Udy*, Case No. 080100192, First Judicial District of Utah (2008).

- d. On October 21, 2008, Respondent had a \$39,741.19 judgment rendered against him;<sup>5</sup>
- e. On October 20, 2008, Respondent had a \$149,396.88 judgment rendered against him;<sup>6</sup>
- f. On September 4, 2008, Respondent had two judgments, totaling \$833,890.38, rendered against him;<sup>7</sup>
- g. On August 13, 2008, Respondent had a \$98,795.83 judgment rendered against him;<sup>8</sup>
- h. On August 12, 2008, Respondent had a \$144,739.50 judgment rendered against him;<sup>9</sup>
- i. On December 3, 2007, Respondent pled guilty to a third degree felony for making false statements on a securities document and to a second degree felony for securities fraud. Furthermore, on January 25, 2010, the Third District Court of Utah scheduled Respondent to be sentenced on March 29, 2010 pursuant to his guilty plea;<sup>10</sup>
- j. On September 5, 2005, Respondent consented to the entry of an order with the Division, revoking his license as a broker-dealer agent and barring him from employment with a licensed broker-dealer or investment adviser in the state of Utah. The Division's Securities Advisory Board, in force at that time, approved the order on October 9, 2003;<sup>11</sup>
- k. On December 9, 2002, Respondent entered into a Stipulation and Consent Order with

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<sup>5</sup> *Sunfirst Bank v. Flame Guard Plus Inc. A NV Corp.*, Case No. 080502161, Fifth Judicial District of Utah (2008).

<sup>6</sup> *Keith Pearson v. Strategic Assets*, Case No. 080905971, Third Judicial District of Utah (2008).

<sup>7</sup> *Susan Isaac Andersen v. R. Dean Udy*, Case No. 080100192, First Judicial District of Utah (2008).

<sup>8</sup> *Marvin Neff v. LLC Strategic Assets*, Case No. 080100558, First Judicial District of Utah (2008).

<sup>9</sup> *Dale Baron v. R. Dean Udy*, Case No. 080100434, First Judicial District of Utah (2008).

<sup>10</sup> *State of Utah Attorney General v. Ronald Dean Udy*, Case No. 051909160, Third Judicial District of Utah (2005).

the Division, limiting his involvement in the sale of promissory notes, promising to repay outstanding notes by a certain date, and agreeing to a \$14,278.98 fine, payable to the Division, which represents disgorgement of the fees earned while Respondent acted as an unlicensed investment adviser representative;<sup>12</sup> and

1. Some or all of the information typically provided in an offering circular or prospectus regarding Respondent or an investment in Strategic Assets, LLC such as:
  - i. Financial statements;
  - ii. Risk factors;
  - iii. The total number of investors;
  - iv. Suitability factors for the investment;
  - v. Whether the investment was a registered security or exempt from registration;and
  - vi. Whether Respondent was licensed to sell securities.

### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on **Thursday, October 4, 2012, at 9:00 a.m.**, at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to

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<sup>11</sup> *Ronald Dean Udy*, SD-03-0041, Utah Division of Securities (2003).

<sup>12</sup> *Ronald Dean Udy*, SD-02-0162, Utah Division of Securities (2002).

establish a scheduling order and address any preliminary matters. If Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondent may show cause, if any he has:

- a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondent should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. §§ 61-1-1, or any other section of the Act; and
- c. Why Respondent should not be ordered to pay to the Division a fine amount to be determined by the Utah Securities Commission after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investor.

DATED this 27<sup>th</sup> day of August, 2012.

  
KEITH WOOD  
Director, Utah Division of Securities



Approved:

  
D. SCOTT DAVIS  
Assistant Attorney General  
A.S.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

<p><b>IN THE MATTER OF:</b></p> <p><b>RONALD DEAN UDY (CRD# 1981077)</b></p> <p><b>Respondent.</b></p>	<p><b>NOTICE OF AGENCY ACTION</b></p> <p>Docket No. <u>17-12-1025</u></p>
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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. § 63G-4-201 and 63G-4-204 through -209; see also Utah Admin. Code R151-4-101, *et seq.* The facts on which this action is based are set forth in the accompanying Order to Show Cause. The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your

response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

**Signed originals to:**

Administrative Court Clerk  
c/o Julie Price  
Utah Division of Securities  
160 E. 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

**A copy to:**

D. Scott Davis  
Assistant Attorney General  
Utah Division of Securities  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84114-0872  
(801) 366-0358

An initial hearing in this matter is set for **Thursday, October 4, 2012** at the Division of

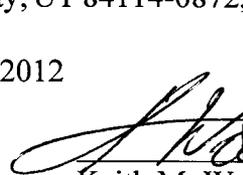
Securities, 2<sup>nd</sup> Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Jennie Jonsson, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6706. This adjudicative proceeding will be heard by Ms. Jonsson and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0358.

Dated this 27<sup>th</sup> day of August, 2012

  
Keith M. Wood  
Director, Division of Securities

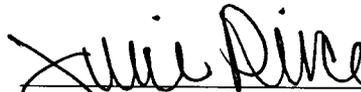


**Certificate of Mailing**

I certify that on the 28th day of August, 2012, I mailed, by regular and certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

RONALD DEAN UDY  
OFFENDER NUMBER 195282  
P.O. BOX 250  
DRAPER, UT 84020

Certified Mail # 7007 0220 0001 00047857

  
\_\_\_\_\_  
Executive Secretary